



Public Service Commission of Wisconsin

Cheryl L. Parrino, Chairman
Scott A. Neitzel, Commissioner

Jacqueline K. Reynolds, Executive Assistant
Lynda L. Dorr, Secretary to the Commission
Steven M. Schur, Chief Counsel

July 18, 1995

DOCKET FILE COPY ORIGINAL

Mr. William F. Caton
Office of the Secretary
Federal Communications Commission
1919 M Street Northwest
Washington, D.C. 20554

RECEIVED
JUL 20 1995
FCC MAIL ROOM

Re: CC Docket No. 95-60

Dear Mr. Caton:

The Public Service Commission of Wisconsin (PSCW) is filing its comments pursuant to the Federal Communications Commission (FCC) notice of proposed rulemaking to amend Part 32 of its rules to allow Class A and Class B Telephone Companies to raise the expense limit for certain items of equipment from \$500 to \$750.

In another FCC public notice, RM-8640, the PSCW has filed its comments (copy enclosed) regarding the United States Telephone Association Petition for Rulemaking to amend Part 32 of its rules to eliminate detailed continuing property records (CPR's) for support assets in Accounts 2115, Garage work equipment; 2116, Other work equipment; 2122, Furniture; 2123, Office equipment; and personal computers and peripheral equipment in Account 2124, General Purpose Computers.

It is the recommendation of the PSCW that these two proposed rulemaking dockets be combined. By combining these dockets, the cost savings and accounting simplification from raising the expense limitation and adopting an amortization method can be coordinated and unified into one amendment to Part 32 of the Uniform System of Accounts.

The PSCW comments in the public notice, RM-8640, were in support of a vintage amortization level property record system for the above described accounts. The PSCW has adopted an amortization method for our electric and gas utilities. We have enclosed a copy of this amortization order. A similar amortization order is presently being considered for our telecommunication utilities. The overriding reasons for supporting amortization accounting for support assets are the potential cost savings and simplified accounting resulting from the removal of the need to identify, track and inventory large amounts of retirement units with

Mr. William F. Caton
Federal Communications Commission
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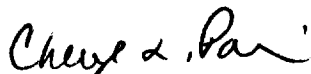
small unit costs, which are not an integral part of the utility systems; and it eliminates the need for office and field procedures to monitor and record retirement of low cost support equipment which is broken, lost or removed from service.

It is the conclusion of the PSCW that adoption of an amortization proposal for support assets would provide higher cost savings and simplification rather than increasing the expense limit every few years. Amortization methods are easy to implement and can be designed to be revenue neutral as well. Most past FCC increases in the expense limit have used an amortization method for the embedded net plant balances under new expense limits anyway. By periodically increasing expense limit, there will always be a need to amortize a portion of the embedded equipment falling under the new limit.


Having made the above arguments for an amortization method, our remaining comments address the proposed change in the expense limit. The major purpose of raising the capitalization limit should be to realize the savings associated with the avoidance of administrative costs to account for many small value items. A higher expense limitation would support this purpose and would also have very little impact on the financial operations of our telecommunication companies. Inflationary comparisons to past increases should be secondary to the administrative cost savings. An increase to only \$750 at this time would set the scenario for another proceeding for this small value equipment in less than ten years. More significant regulatory issues exist for our PSCW staff and telecommunications personnel.

Whether the previously mentioned dockets are combined or not, it is the PSCW recommendation that an amount no less than the range of \$1,000 to \$2,000 should be adopted as the expense limit. An amount less than \$1,000 is insufficient to produce meaningful cost savings or accounting simplification. If the amortization method is not adopted in RM-8640, an amortization of the net book value of the embedded equipment should be amortized over a period not to exceed three years.

Sincerely,



Cheryl L. Parrino
Chairman



Scott A. Neitzel
Commissioner

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Enclosures



Public Service Commission of Wisconsin

Cheryl L. Parrino, Chairman
Scott A. Neitzel, Commissioner

Jacqueline K. Reynolds, Executive Assistant
Lynda L. Dorr, Secretary to the Commission
Steven M. Schur, Chief Counsel

June 29, 1995

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JUL 20 1995

FCC MAIL ROOM

The Honorable Elizabeth Anne Moler, Chairman
Federal Energy Regulatory Commission
825 North Capitol Street, Northeast
Washington D.C. 20426

Re: Amendment of the Wisconsin Uniform System of Accounts (USOA) to Allow for an Amortization Method and to Establish Amortization Schedules for Equipment Costs in the General Plant Accounts for Private Energy Utilities Electing the Amortization Method.

Dear Chairperson Moler:

The Public Service Commission of Wisconsin (PSCW) by our order dated December 19, 1989, in Docket 05-US-103 originally adopted, with certain amendments, the USOA as set forth by the Federal Energy Regulatory Commission (FERC) for Class A and Class B Privately Owned Electric and Gas Utilities.

On May 23, 1995, the PSCW amended our USOA to allow for a voluntary election of an amortization method and to establish amortization schedules for equipment costs in the general plant accounts for private energy utilities. A copy of our order is attached for your review.

Prior to this modification the USOA procedures required for each general equipment retirement unit: 1) The name or description of the unit; 2) The location of the unit; 3) The date the unit was placed in service; 4) The cost of the unit; and 5) The plant control account to which the cost of the unit is charged. The correctness of the accounting for equipment should be verifiable by current inventories. All retirement units, which have been removed, sold or which for any cause have been withdrawn from service, are required to be removed from the plant account balance by crediting the appropriate plant account for the book cost of the retirement unit and debiting the accumulated provision for depreciation by the same book cost.

In an attempt to simplify the accounting procedures the PSCW completed an analysis of the benefits of an amortization method. It concluded:

1. An amortization method for general plant equipment has potential cost saving benefits which could be passed on to the ratepayers.
2. The dollar level of plant in the general accounts is minimal in comparison to the total utility plant investment.
3. An amortization method will have minimal effect on the total annual utility depreciation expense.
4. Adequate control of general plant assets would have to be maintained by utility supervisory and budget controls.
5. Staff audit procedures could be developed to test utility procedures regarding the transfer of general plant assets.

This analysis also showed the potential cost savings from a general plant amortization method to be:

1. It removes the need to identify, track and inventory large amounts of retirement units with small unit costs which are not an integral part of the transmission or distribution systems.
2. It eliminates the need for office and field procedures to monitor and record retirement of general equipment which are broken, lost or removed from service.
3. It frees time of present utility and regulatory employees for more material tasks.

The PSCW concluded an amortization method and schedule: provided simplification to the general equipment accounting procedures, a cost savings to the PSCW and utilities; and would have minimal impact on depreciation expense as the amortization period used will be similar to the currently certified depreciation service life for each account.

FERC has approved amortization methods with individual utilities over the last several years resulting in cost savings and the simplification of the accounting for general equipment. Utilities in Wisconsin, subject to FERC regulation, could also benefit from a FERC approved

The Honorable Elizabeth Anne Moler, Chairman
Federal Energy Regulatory Commission
Page 3

amortization method. Presently, the approval of the PSCW amortization method is subject to receipt of an approved FERC amortization method. For consistency in accounting practices and to avoid duplicative accounting records the same amortization method, meeting the needs of both the FERC and the PSCW, would be desirable. The PSCW would like to discuss this possibility.

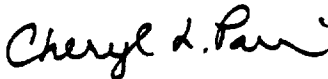
The benefits are attainable from dialogue between state and federal agencies before changes are made to accounting requirements. The PSCW is interested in establishing a dialogue. We would appreciate if the name and telephone number of FERC staff could be sent to us so that a FERC-PSCW dialogue could be established. We thank you for your consideration of this request.

Our PSCW staff contacts will be:

Clarence E. Mougin
Depreciation Program Manager
(608) 267-0637

Thomas J. Ferris
Staff Accounting Policy Team Leader
(608) 266-1124

Sincerely,



Cheryl L. Parrino
Chairman



Scott A. Neitzel
Commissioner

CEM:G:\DWCCA\FERC6279.COM/ssal

Attachment

cc: FERC Commissioners
Thomas J. Ferris
Clarence E. Mougin



Public Service Commission of Wisconsin

Cheryl L. Parrino, Chairman
Scott A. Neitzel, Commissioner

Jacqueline K. Reynolds, Executive Assistant
Lynda L. Dorr, Secretary to the Commission
Steven M. Schur, Chief Counsel

June 27, 1995

Debbie Weber
FCC, Common Carrier Bureau
2000 L Street, N.W., Room 812
Washington, D.C. 20554

Re: RM-8640

Dear Ms. Weber:

The Public Service Commission of Wisconsin (PSCW) is filing its comments pursuant to your public notice regarding the United States Telephone Association (USTA) Petition for Rulemaking to amend Part 32 of its rules to eliminate detailed continuing property records (CPR's) for support assets in the following accounts: 2115-Garage work equipment; 2116-Other work equipment; 2122-Furniture; 2123-Office equipment; and 2124-(personal computers and peripheral equipment only), 2124-General Purpose Computers.

The PSCW comments are in support of a vintage amortization level property record system for the above described accounts. We have enclosed a copy of the PSCW amortization order for our electric and gas utilities. This PSCW amortization order reflects many of the proposals by USTA. A similar amortization order is being considered for our telecommunication utilities.

The PSCW, by adopting our amortization method, recognized that:

1. An amortization method for general plant equipment has potential cost saving benefits which could be passed on to the ratepayers.
2. The dollar level of plant in the general accounts is minimal in comparison to the total utility plant investment.
3. An amortization method will have minimal effect on the total annual utility depreciation expense.
4. Adequate control of general plant assets would have to be maintained by utility supervisory and budget controls.



Public Service Commission of Wisconsin

Cheryl L. Parrino, Chairman
Scott A. Neitzel, Commissioner

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Jacqueline K. Reynolds, Executive Assistant
Lynda L. Dorr, Secretary to the Commission
Steven M. Schur, Chief Counsel

JUL 20 1995

FCC MAIL ROOM

File: 05-US-103

To: All Utilities Subject to the Uniform System of Accounts (USOA) for Privately Owned Electric and Gas Utilities:

Re: In the Matter of Prescribing an USOA for Privately Owned Electric and Gas Utilities (Docket 05-US-103)

Amendment of the USOA to Allow for an Amortization Method and to Establish Amortization Schedules for Equipment Costs in the General Plant Accounts for Private Energy Utilities Electing the Amortization Method.

By order dated December 19, 1989, in Docket 05-US-103, the Public Service Commission (Commission) adopted and prescribed, with certain amendments, the USOA as set forth by the Federal Energy Regulatory Commission (FERC) for Class A and Class B Privately Owned Electric and Gas Utilities.

By approving an amortization method for the qualifying equipment in Accounts 391, 393, 394, 395, 397 and 398, the Definition #4 of the USOA becomes applicable. Definition #4 reads as follows: "Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

For those utilities electing the amortization method, the USOA Definition #12 will no longer be applicable for the qualifying equipment. Definition #12 reads as follows: "Depreciation," as applied to depreciable plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

For those utilities, meeting the requirements for an amortization method and electing to use the amortization method, as described herein, the mailing of their election to the Public Service Commission of Wisconsin, P.O. Box 7854, Madison, Wisconsin 53707-7854 will constitute approval of their election. Utilities desiring to adopt the amortization method, but whom would experience major financial expense in implementing all requirements, may petition the Commission for waiver of individual requirements. For those utilities not electing the amortization method, the statutory provisions of s. 196.09, Stats. and the certification of depreciation rates will continue in effect.

The staff letter of February 17, 1995, to All Privately Owned Electric and Gas Utilities requesting comments on this amortization method, originally proposed a mandatory implementation. While the Commission believes an amortization method will result in reduced costs to ratepayers, it has decided on a voluntary plan at this time because of approvals required from federal regulatory agencies. A mandatory implementation of this amortization method is being considered for the future.

In approving an amortization method for the qualifying equipment in Accounts 391, 393, 394, 395, 397 and 398 the USOAs are amended by the addition of the following:

1. Definition #39 on page 6 of the USOA Prescribed for Wisconsin Private Electric Utilities and Definition #40 on page 6 of the USOA Prescribed for Wisconsin Private Gas Utilities, which read:

"Property subject to amortization" shall include equipment in:
Accounts 391 (Including all personal computers, but exclusive
of dedicated network servers, graphic/specialty/work station
computers, minicomputers and mainframe computer equipment),
393, 394, 395, 397 (Exclusive of SCADA Central System
Control Facilities) & 398.

2. Electric and Gas Plant Instruction #17 on page 34 of the USOA Prescribed for Wisconsin Private Electric Utilities and on page 37 of the USOA Prescribed for Wisconsin Private Gas Utilities, which reads:

Amortizable Property

- A. All references in these USOA to the maintenance of plant account records for the number of record or retirement units, the location or physical inventories thereof are suspended for amortizable equipment.

- B. All references in these USOA to the accounting for retirements to reflect mortality experience and percentages of salvage or cost or removal are suspended for amortizable equipment.
- C. All references in these USOA to the accounting for net salvage in the Account 108, Accumulated Provision for Depreciation of Plant in Service, are suspended for amortizable equipment.
- D. The annual amortization expense will be increased/decreased for removal costs and salvage in the year of occurrence.
- E. The qualifying equipment will be amortized by a charge to Account 403, Depreciation Expense, and a credit to Account 108, Accumulated Provision for Depreciation, over the fixed amortization time period.
- F. When net vintage investment equals zero (fully amortized), the vintage account balance will be retired, by charging the full cost of the vintage investment to the vintage account accumulated depreciation and crediting the full cost to the vintage investment account. Individual retirements will not be recorded.

Additional requirements for the amortization method are that:

- A. This amortization method is voluntary for all private energy companies and is limited to these accounts: Accounts 391 (Including all personal computers, but exclusive of dedicated network servers, graphic/specialty/work station computers, minicomputers and mainframe computer equipment), 393, 394, 395, 397 (Exclusive of SCADA Central System Control Facilities) and 398.
- B. No additional accounts or equipment will be added until an evaluation of the success of this amortization proposal has been made.
- C. The range of amortization periods as shown on Appendix 1 and certified as an amortization percentage range, by account, are applicable to the private electric and gas industries electing the amortization method.
- D. Capital versus expense decisions remain unchanged by this supplemental order.

- E. All capital equipment will be included in a vintage group for each work order in each plant account.
- F. Depreciation reserve balances will be maintained in subsidiary accounting records by vintage.
- G. Transfers between locations within a specific regulatory utility operation will not be recorded.
- H. Transfers between different types of regulated utility operations, holding company, and/or nonutility affiliates shall be recorded and sufficient detail shall be maintained as will permit a ready identification, analysis, and verification of facts relevant thereto. Any transfer of utility equipment to or from a holding company are subject to audit under s. 196.795(5)(b) Wis. Stats., which grants full access to any book, record, document or other information relating to a holding company system to the extent that such information is relevant to the performance of the commission's duties under ch. 184, this chapter or any other statute applicable to the public utility affiliate.
- I. The effective date for implementation of an amortization method is concurrent with the signing of this order, implementation may be applicable to the full calendar year 1995 and may also be retroactively applied to all pre-1995 vintages of general equipment as defined in A above.
- J. The range of account amortization periods and the corresponding account amortization percentages are certified as shown on Appendix 1 annexed hereto.
- K. The method for amortizing general equipment purchased prior to January 1, 1995, is described and illustrated in Appendix 2 annexed hereto.
- L. For those utilities subject to jurisdiction by the FERC, approval of an amortization method by FERC must be obtained before implementing the Wisconsin amortization method.

This action is not expected to result in significant environmental impacts according to s. PSC 2.90, Wis. Adm. Code. In addition, no unusual circumstances have come to the attention of the Commission which would require further environmental review. It consequently requires neither an environmental impact statement under s. 1.11, Wis. Stats., nor an environmental assessment.

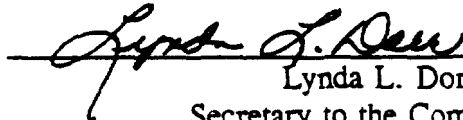
The action contained in this letter order is taken as a result of the Commission's jurisdiction under s. 196.06, Wis. Stats., to prescribe and amend uniform accounting systems for those utilities subject to its jurisdiction.

The Commission maintains continuing jurisdiction over utility accounting systems and this docket shall remain open to permit subsequent supplemental orders.

Dated at Madison, Wisconsin

May 23, 1995

By the Commission.


Lynda L. Dorr
Secretary to the Commission

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cc: Records Management, PSCW

See attached Notice of Appeal Rights.

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in s. 227.53, Stats. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in s. 227.01(3), Stats., a person aggrieved by the order has the further right to file one petition for rehearing as provided in s. 227.49, Stats. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with s. 227.48(2), Stats., and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 4/22/91

AMORTIZATION RANGES
PRIVATE ELECTRIC AND GAS UTILITIES
05-US-103

APPENDIX 1

	<u>YEARS</u>	<u>PERCENT</u>
ACCOUNT 391, OFFICE FURNITURE AND EQUIPMENT	15 - 20	5.0 - 6.7%
ACCOUNT 391.1, OFFICE EQUIPMENT- PC, PC RELATED EQUIPMENT, ELECTRONIC EQUIPMENT, FAX, PHOTOCOPIERS	3 - 5	20.0 - 33.3%
ACCOUNT 393, STORES EQUIPMENT	15 - 20	5.0 - 6.7%
ACCOUNT 394, TOOLS, SHOP AND GARAGE EQUIPMT	15 - 20	5.0 - 6.7%
ACCOUNT 395, LABORATORY EQUIPMENT	15 - 20	5.0 - 6.7%
ACCOUNT 397, COMMUNICATION EQUIPMENT	10 - 12	8.3 - 10.0%
ACCOUNT 398, MISC. EQUIPMENT	15 - 20	5.0 - 6.7%

APPENDIX 2

Method of Amortization of General Equipment

Purchased Prior to January 1, 1995

Example 10 Years

Amortization Rate 10.00%

YEAR OF PURCHASE	AGE IN YEARS	ACTUAL COST @12/31/94	ACTUAL RESERVE @12/31/94
1976	19	600	
1977	18	500	
1978	17	400	
1979	16	800	
1980	15	1,000	
1981	14	800	
1982	13	700	
1983	12	1,800	
1984	11	1,400	
1985	10	2,000	
1986	9	3,300	
1987	8	3,400	
1988	7	4,200	
1989	6	3,100	
1990	5	2,800	
1991	4	2,700	
1992	3	3,100	
1993	2	3,600	
1994	1	3,800	
TOTALS		40,000	26,000
AMORTIZATION RATE NOTE		10.00%	
ANNUAL AMORTIZATION ON PRE-1995 VINTAGES NOTE 2		4,000	
			RETIREMENTS
1995 AMORTIZATION		4,000	30,000 0
1996 AMORTIZATION		4,000	34,000 0
1997 AMORTIZATION		4,000	38,000 0
1998 AMORTIZATION NOTE 3		2,000	40,000 40,000
1999 AMORTIZATION		0	0 0

NOTE 1: Amortization rate from amortization ranges on Appendix 1. Example uses Account 397, Communication Equipment.

NOTE 2: Amortization rate times Pre-1995 plant balance.

NOTE 3: Annual amortization stops at \$2,000 when the Pre-1995 plant balance becomes fully depreciated. The Pre-1995 plant balance is then retired when the reserve equals the plant balance.